

Message Text

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C O N F I D E N T I A L SECTION 01 OF 07 OECD PARIS 04222

LIMDIS GREENBACK

PASS TREASURY FOR COOPER

E.O.11652: GDS

TAGS: EFIN, OECD

SUBJECT: AD HOC WORKING PARTY ON SOLIDARITY FUND

1. THIS MESSAGE TRANSMITS TEXT OF FURTHER REVISIONS OF SOLIDARITY FUND OUTLINE DESIGNED TO TAKE ACCOUNT OF DISCUSSIONS OF AD HOC WORKING PARTY DURING ITS MEETING FEBRUARY 13-15. THIS TEXT, WITH SOME ADDITIONAL NON-SUBSTANTIVE POLISHING, HAS NOW BEEN ISSUED AS DOCUMENT AD HOC C/WP(75)7 (1ST REVISION), DATED FEBRUARY 15, 1975 AND WILL BE HAND-CARRIED BY BRADFIELD LATER THIS WEEK.

2. IN THE FOLLOWING TEXT, BRACKETS ARE INDICATED BY PARENTHESES AND (ESPECIALLY IN PARAGRAPH 18) ORDINARY PARENTHESES ARE REPRESENTED BY THE SLASH SYMBOL (EXCEPT THAT PARENTHESES ARE USED IN THE ORDINARY MANNER AROUND LETTERS AND NUMERALS AND IN OTHER
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INSTANCES WHERE INTENT IS OBVIOUSLY PARENTHETICAL

RATHER THAN TO INDICATE THAT THE PORTION OF TEXT IN QUESTION IS NOT AGREED).

BEGIN TEXT

DRAFT OUTLINE OF AN AGREEMENT ESTABLISHING AN
(OECD) (FINANCIAL SUPPORT FUND)

I. AIMS OF THE AGREEMENT

1. THE PRINCIPAL AIMS OF THE AGREEMENT WILL BE TO INDUCE AND ASSIST THE CONTRACTING PARTIES (HEREINAFTER CALLED "MEMBERS") TO:

(A) AVOID UNILATERAL MEASURES WHICH WOULD RESTRICT TRADE OR OTHER CURRENT ACCOUNT TRANSACTIONS, OR WHICH WOULD ARTIFICIALLY STIMULATE VISIBLE AND CURRENT INVISIBLE EXPORTS; AND

(B) FOLLOW APPROPRIATE DOMESTIC AND INTERNATIONAL ECONOMIC POLICIES, INCLUDING ADEQUATE BALANCE-OF-PAYMENTS POLICIES AND CO-OPERATIVE POLICIES TO ENCOURAGE INCREASED PRODUCTION AND CONSERVATION OF ENERGY.

2. TO THIS END, THE AGREEMENT WILL ESTABLISH A (FINANCIAL SUPPORT FUND) WITHIN THE FRAMEWORK OF THE OECD. THE ESSENTIAL FEATURES OF THIS FUND WILL INCLUDE THE FOLLOWING:

(A) THIS FUND CAN BE USED, AS A LAST RESORT, TO SUPPLEMENT, IN CASE OF NEED, OTHER SOURCES OF CREDIT TO WHICH MEMBERS ENCOUNTERING SERIOUS ECONOMIC DIFFICULTIES CAN HAVE RECOURSE.

(B) ALL MEMBERS WILL SHARE IN THE DEFAULT RISKS ON LOANS BY THE FUND, IN PROPORTION TO THEIR QUOTAS AND SUBJECT TO THE LIMITS OF THEIR

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QUOTAS, HOWEVER THE LOANS ARE FINANCED.

II. MEMBERSHIP, QUOTAS AND AUTHORITY TO GRANT LOANS

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3. MEMBERSHIP WILL BE OPEN TO ANY MEMBER COUNTRY OF THE OECD WHICH SUBSCRIBES TO THE AIMS OF THE AGREEMENT AND ACCEPTS ITS TERMS.
4. EACH MEMBER WILL HAVE A QUOTA DENOMINATED IN SDRS. THE TOTAL OF THE QUOTAS WILL BE SDRS 20 BILLION.
5. THE AUTHORITY TO GRANT LOANS WILL LAPSE TWO YEARS AFTER THE DATE ON WHICH THE AGREEMENT ENTERS INTO FORCE.
6. A SINGLE SCALE WILL BE ESTABLISHED FOR THE DISTRIBUTION OF QUOTAS BETWEEN MEMBERS.

THE PROPORTION IN WHICH QUOTAS ARE DISTRIBUTED
WILL DETERMINE:

- (A) THE SHARING BETWEEN ALL MEMBERS OF THE
DEFAULT RISKS ON LOANS BY THE FUND/ARRANGE-
MENT, AND

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- (B) THE WEIGHTING OF VOTES (SEE PARAGRAPH 25 BELOW).

THE AMOUNTS OF THE QUOTAS WILL DETERMINE

- (C) A MEMBER'S MAXIMUM OBLIGATION TO PROVIDE FINANCING AND ITS TOTAL LIABILITIES UNDER GUARANTEES TO THE FUND. (SEE PARAGRAPH 18).

-- AND WILL ALSO BE THE BASIS FOR DETERMINING

- (D) THE AMOUNT A MEMBER MAY BORROW FROM THE FUND.

7. THE PROPOSED QUOTAS ARE SET OUT IN THE ANNEX TO THIS OUTLINE.

III. LOANS BY THE FUND

8. CONDITIONS FOR BORROWING: A MEMBER REQUESTING A LOAN FROM THE FUND WILL HAVE TO SHOW THAT:

- (A) IT IS ENCOUNTERING SERIOUS EXTERNAL FINANCIAL DIFFICULTIES;
- (B) IT HAS MADE THE FULLEST APPROPRIATE USE OF ITS RESERVES AND HAS MADE BEST EFFORTS TO OBTAIN CAPITAL ON REASONABLE TERMS FROM OTHER SOURCES; AND
- (C) IT HAS MADE THE FULLEST APPROPRIATE USE OF OTHER MULTILATERAL FACILITIES.

9. THE GOVERNING COMMITTEE, WHEN CONSIDERING A REQUEST FOR A LOAN, WILL SATISFY ITSELF THAT THE APPLICANT IS MEETING THE CONDITIONS SET OUT IN THE PRECEDING PARAGRAPH AND IS RESPECTING THE AIMS OF THE AGREEMENT SET OUT IN PARAGRAPH 1 ABOVE, HAVING DUE REGARD TO THE OBLIGATIONS UNDERTAKEN BY THE MEMBER IN OTHER INTERNATIONAL ORGANISATIONS.

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10. EACH LOAN WILL BE SUBJECT TO ECONOMIC POLICY CONDITIONS CONCERNING THE MEASURES NEEDED TO REDRESS THE BORROWING COUNTRY'S EXTERNAL FINANCIAL SITUATION OVER AN

APPROPRIATE PERIOD. THE GOVERNING COMMITTEE WILL ENSURE THAT THE ECONOMIC POLICIES OF THE BORROWING COUNTRY ARE KEPT UNDER REVIEW.

11. BORROWING LIMITS: A MEMBER'S BORROWING FROM THE FUND WILL BE LIMITED TO THE AMOUNT OF ITS QUOTA, UNLESS THE GOVERNING COMMITTEE DECIDES OTHERWISE UNDER PARAGRAPH 12 BELOW. IN ADDITION, IF A MEMBER IS A CREDITOR OF THE FUND IT WILL BE ABLE TO OBTAIN REPAYMENT OF ITS CLAIM, SUBJECT TO THE CONDITIONS INDICATED IN PARAGRAPH 21 BELOW.

12. (A) APPROVAL OF LOANS: IN RESPONSE TO A REQUEST BY A MEMBER FOR A LOAN, A SINGLE DECISION WILL BE TAKEN, IN ACCORDANCE WITH THE FOLLOWING VOTING REQUIREMENTS, COVERING THE GRANTING OF THE LOAN, ITS TERMS AND CONDITIONS AND ITS FINANCING. THIS DECISION:

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- WILL REQUIRE A TWO-THIRDS MAJORITY IF THE LOAN IS WITHIN THE QUOTA;
- WILL REQUIRE A 90 PERCENT MAJORITY IF THE LOAN IS BETWEEN 100 AND 200 PERCENT OF THE QUOTA;
- AND BEYOND THAT WILL REQUIRE UNANIMITY.

THESE REQUIREMENTS MUST BE MET BOTH WITH RESPECT TO ALL MEMBERS OTHER THAN THE MEMBERS REQUESTING THE LOAN, AND WITH RESPECT TO THE MEMBERS PARTICIPATING IN THE FINANCING OF THE LOAN.

(B) PRIOR TO THE AFOREMENTIONED DECISION, IN THE CASE OF FINANCING BY INDIVIDUAL UNDERTAKINGS, A DECISION WILL BE TAKEN ON EACH OF THE FOLLOWING QUESTIONS:

(I) WHETHER ANY MEMBER, BECAUSE OF ITS PRESENT OR PROSPECTIVE BALANCE-OF-PAYMENTS
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SITUATION, WILL NOT BE REQUIRED TO PARTICIPATE IN THE FINANCING OF THE LOAN;

(II) WHETHER A GUARANTEE OFFERED BY A MEMBER UNDER PARAGRAPH 16 WOULD IN FACT ENABLE THE FUND TO OBTAIN THE AMOUNT OF THAT MEMBER'S SHARE IN SUCH FINANCING BY BORROWING IN FINANCIAL MARKETS, A NEGATIVE DECISION ON THIS QUESTION BEING EQUIVALENT TO A DECISION THAT THE MEMBER SHALL NOT BE REQUIRED TO PARTICIPATE UNDER FINANCING BY INDIVIDUAL UNDERTAKINGS.

THE DECISION ON EACH OF THESE QUESTIONS WILL REQUIRE A TWO-THIRDS MAJORITY OF THE MEMBERS OTHER THAN THE MEMBER CONCERNED AND THE MEMBER REQUESTING THE LOAN.

13. MATURITY OF LOANS: LOANS WILL BE FOR PERIODS OF UP TO 7 YEARS.

14. ADVANCE REPAYMENT OF A LOAN:

(A) WITH THE AGREEMENT OF THE GOVERNING COMMITTEE AND OF THE MEMBERS WHICH HAVE THE MATCHING CLAIMS ON THE FUND, A MEMBER MAY VOLUNTARILY REPAY IN ADVANCE ALL OR PART OF A LOAN GRANTED TO IT.

(B) IF A MEMBER'S SITUATION HAS SUBSTANTIALLY IMPROVED SINCE IT WAS GRANTED A LOAN, IT MAY BE REQUIRED, BY A TWO-THIRDS MAJORITY OF THE MEMBERS OTHER THAN THE MEMBER CONCERNED, TO ADVANCE THE REPAYMENTS OF ITS LOAN, (SUBJECT TO THE PROVISIONS OF THE LOAN AGREEMENT AND TO THE FUND BEING ABLE TO USE THE PROCEEDS OF THE REPAYMENT TO REPAY ITS BORROWING, OR GRANT A LOAN TO ANOTHER MEMBER).

IV. FINANCING LOANS BY THE FUND
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15. FORM OF FINANCING: THE FINANCING OF A LOAN GRANTED BY THE FUND WILL TAKE THE FORM OF FINANCING BY INDIVIDUAL UNDERTAKINGS' OR JOINT BORROWING IN FINANCIAL MARKETS, IN THE LIGHT OF THE CIRCUMSTANCES AND CONDITIONS PREVAILING IN THE MARKETS.

(16. FINANCING BY INDIVIDUAL UNDERTAKINGS: WITH THIS METHOD OF FINANCING, ALL MEMBERS EXCEPT THE MEMBER RECEIVING THE LOAN WILL PARTICIPATE, IN PROPORTION TO THEIR QUOTAS, EITHER BY TRANSFERING TO THE FUND AMOUNTS OF ACTUALLY CONVERTIBLE CURRENCIES, OR BY PROVIDING A GUARANTEE OF BORROWING BY THE FUND, IN ITS OWN NAME, IN FINANCIAL MARKETS, SUBJECT TO THE PROVISIONS OF PARAGRAPHS 122(B) AND 18. THE TRANSFER OF CONVERTIBLE CURRENCY MAY ALSO BE PROVIDED, INTER ALIA, BY MEANS OF CREDITS FROM THE BIS TO MEMBERS' CENTRAL BANKS. IN THE CASE WHERE THE FUND OBTAINS THIS FORM OF FINANCING BY BORROWING IN FINANCIAL MARKETS AGAINST THE GUARANTEE OF A MEMBER, THERE WOULD BE PROVISIONS TO ENSURE THAT OTHER MEMBERS INCUR NO LIABILITIES AS A RESULT OF SUCH BORROWING.)

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17. JOINT BORROWING IN FINANCIAL MARKETS: WITH THIS FORM OF FINANCING, LOANS WILL BE FINANCED, OR REFINANCED, BY BORROWING BY THE FUND IN FINANCIAL MARKETS, BACKED BY GUARANTEES OF ALL MEMBERS IN PROPORTION TO THEIR QUOTAS, SUBJECT TO THE LIMIT SPECIFIED IN PARAGRAPH 18. THE BIS MIGHT ACT AS AGENT FOR THE PURPOSE OF ARRANGING SUCH BORROWING. THE MATURITIES OF LOANS RAISED IN THE CAPITAL MARKETS WILL NORMALLY BE THE SAME AS THOSE OF THE LOANS GRANTED BY THE FUND.

18. (A) FOR THE PURPOSES OF PARAGRAPHS 1L AND 17, BORROWING BY THE FUND IN FINANCIAL MARKETS WILL MEAN BORROWING BY IT (IN MEMBER COUNTRIES). SUCH BORROWING MAY BE IN NATIONAL FINANCIAL MARKETS /INCLUDING BORROWING FROM PUBLIC INSTITUTIONS/, WITH THE AUTHORISATION OF THE MEMBERS CONCERNED, OR IN INTERNATIONAL FINANCIAL MARKETS, OR FROM INTERNATIONAL INSTITUTIONS. WHERE ANOTHER MEMBER'S CURRENCY IS BORROWED THE AUTHORISATION OF THAT MEMBER WILL ALSO BE REQUIRED. A MEMBER WILL GIVE CONFIDENTIAL

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FAVOURABLE CONSIDERATION TO A REQUEST BY THE GOVERNING COMMITTEE TO AUTHORISE BORROWING BY THE FUND IN ITS NATIONAL FINANCIAL MARKET INCLUDING BORROWING FROM PUBLIC INSTITUTIONS/, OF CURRENCY THAT IS ACTUALLY CONVERTIBLE, UP TO THE AMOUNT OF ANY GUARANTEE PROVIDED BY IT TO THE FUND UNDER PARAGRAPHS 16 OR 17, (PROVIDED THAT

MARKET CONDITIONS PERMIT SUCH BORROWING AND THAT BORROWING ELSEWHERE WOULD BE DIFFICULT OR INAPPROPRIATE.)

(B) THE SUM OF THE AMOUNTS OF CONVERTIBLE CURRENCY TRANSFERRED TO THE FUND BY A MEMBER UNDER PARAGRAPH 16, AND OF THE AMOUNTS WHICH IT MAY BE CALLED UPON TO PROVIDE TO THE FUND IN RESPECT OF CAPITAL, INTEREST AND OTHER CHARGES UNDER GUARANTEES PROVIDED IN ACCORD WITH PARAGRAPHS 16 AND 17, WILL BE LIMITED TO ITS QUOTA. HOWEVER, A MEMBER'S MAXIMUM LIABILITY TO GUARANTEE JOINT BORROWING BY THE FUND TO FINANCE A PARTICULAR LOAN WILL NOT EXCEED (150 PERCENT) OF ITS QUOTA SHARE IN THE AMOUNT OF THE LOAN.

19. PARTICIPATION IN FINANCING IN EXCESS OF OBLIGATIONS: UNDER EITHER PARAGRAPH 16 OR 17, AS PART OF THE SINGLE DECISION PROVIDED FOR IN PARAGRAPH 12, A MEMBER MAY, ON A VOLUNTARY BASIS, PROVIDE, WITHIN ITS QUOTA, FINANCING BY INDIVIDUAL UNDERTAKINGS, OR UNDERTAKE GUARANTEES FOR JOINT BORROWING BY THE FUND, IN AMOUNTS WHICH ARE MORE THAN PROPORTIONAL TO ITS QUOTA.

V. REPAYMENT AND MOBILISATION OF CREDITORS' CLAIMS

20. PAYMENT OF PRINCIPAL AND INTEREST TO CREDITORS: WHEN MEMBERS PROVIDE FINANCING UNDER INDIVIDUAL UNDERTAKINGS THE FUND WILL UNDERTAKE TO REPAY THE PRINCIPAL AND MAKE INTEREST PAYMENTS IN RESPECT OF SUCH FINANCING, ON TERMS MATCHING THOSE OF THE LOAN BY THE FUND FOR WHICH THE FINANCING IS PROVIDED.

21. A MEMBER WHICH HAS TRANSFERRED CONVERTIBLE ASSETS TO THE FUND UNDER FINANCING BY INDIVIDUAL UNDERTAKINGS MAY REQUEST A REFINANCING CREDIT FROM THE BIS. IT MAY ALSO TRY TO ARRANGE WITH ONE OR MORE OTHER MEMBERS TO

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TAKE OVER ITS CLAIM VOLUNTARILY. IF THIS DOES NOT PROVE POSSIBLE, IT MAY REQUEST REFINANCING OF ITS CLAIM ON THE GROUNDS THAT ITS CURRENT FINANCIAL SITUATION, OR ITS PROSPECTIVE SITUATION OVER THE NEXT SIX MONTHS, CORRESPONDS TO THE CONDITIONS REQUIRED FOR BORROWING FROM THE FUND SET OUT IN PARAGRAPHS 8 AND 9 ABOVE, OR HAS DETERIORATED SUBSTANTIALLY SINCE THE TIME IT MADE ITS CONTRIBUTION. THE ACCEPTANCE OF THIS REQUEST WILL REQUIRE A DECISION BY A TWO-THIRDS MAJORITY OF ALL MEMBERS OTHER THAN THE MEMBER CONCERNED. THIS DECISION WILL ALSO COVER THE WAY IN WHICH THE FOLLOWING PROVISIONS FOR THE CALL-UP OF FUNDS TO REFINANCE THE CLAIM WILL BE APPLIED.

FUNDS MAY BE CALLED FROM ALL MEMBERS, IN PROPORTION AND UP TO THEIR UNCALLED QUOTAS, SUBJECT TO THE PROVISIONS FOR OPTING OUT IN PARAGRAPH J22 ABOVE; AND, IF NECESSARY, FROM THE MEMBERS WHICH OPTED OUT FROM THIS CALL-UP, INCLUDING IF NECESSARY DEBTORS WHICH WILL BE REQUIRED TO MAKE ADVANCE REPAYMENT.

THE MATURITIES OF THE NEW CLAIMS RESULTING FROM THE FUNDS CALLED UP AS ABOVE WILL BE THE SAME AS THOSE

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OF THE MOBILISED CLAIM.

VI. ACTION IF THE FUND NEEDS ADDITIONAL RESOURCES
TO MEET ITS OBLIGATIONS

22. IF THE FUND DOES NOT RECEIVE ON THE DUE DATE A
PAYMENT OF PRINCIPAL OR INTEREST ON A LOAN THAT IT HAS
GRANTED, IT WILL OBTAIN THE AMOUNT NEEDED TO MEET ITS

OBLIGATIONS AS FOLLOWS:

(A) IF THE FINANCING HAS BEEN THROUGH JOINT BORROWING IN CAPITAL MARKETS, THE GUARANTORS WILL BE CALLED ON TO PROVIDE THE NECESSARY FUNDS, IN PROPORTION TO THEIR GUARANTEES.

(B) IN THE CASE OF FINANCING BY INDIVIDUAL UNDERTAKINGS:

(I) TO THE EXTENT THAT THE FINANCING HAS BEEN THROUGH BORROWING BY THE FUND

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UNDER PARAGRAPH 16 BACKED BY THE GUARANTEE OF A MEMBER, THAT MEMBER WILL PROVIDE THE FUNDS NECESSARY TO REPAY THE CLAIMS ON THE FUND.

(II) THE AMOUNT NEEDED TO REPAY MEMBERS WHICH HAVE PROVIDED FINANCING FOR THE LOAN CONCERNED BY INDIVIDUAL UNDERTAKINGS, WILL BE CALLED UP FROM ALL MEMBERS, EXCEPT THE DEBTOR, IN PROPORTION TO THEIR QUOTAS.

(C) UNDER (A) AND (B) (II), IF ANY MEMBER IS UNABLE TO PROVIDE THE FUNDS CALLED FROM IT, FURTHER CALL-UPS WILL BE MADE FROM THE OTHER MEMBERS IN PROPORTION TO, AND UP TO, THEIR QUOTAS, UNTIL THE NECESSARY FUNDS HAVE BEEN OBTAINED, OR ALL THE QUOTAS OF MEMBERS ABLE TO PROVIDE FUNDS ARE EXHAUSTED. HOWEVER, IN THE CASE OF CALLS TO MEET AN OBLIGATION INCURRED AS A RESULT OF JOINT FINANCING, THE AMOUNT CALLED FROM A MEMBER WILL NOT EXCEED A LIMIT OF (150 PERCENT) OF THE MEMBER'S QUOTA SHARE IN THE LOAN CONCERNED.

VII. CURRENCY DENOMINATION AND INTEREST RATES

23. THE CLAIMS AND LIABILITIES OF THE FUND VIS-A-VIS MEMBERS WILL BE DENOMINATED IN SDRS, (OR IN ACTUALLY CONVERTIBLE CURRENCIES OF MEMBER COUNTRIES) (UNLESS OTHERWISE DECIDED BY A TWO-THIRDS MAJORITY). AS THE FUND WILL NOT BEAR AN EXCHANGE RISK, THE CURRENCY DENOMINATION OF CLAIMS AND LIABILITIES FOR THE CORRESPONDING PARTS OF EACH LOAN OPERATION WILL BE REQUIRED TO MATCH. IN CASES OF JOINT BORROWING, THE GOVERNING COMMITTEE WILL SELECT THE APPROPRIATE METHOD OF

DENOMINATION.

24. INTEREST RATES FOR BORROWING AND LENDING BY THE
FUND ARRANGEMENT WILL BE DETERMINED BY THE GOVERNING
COMMITTEE IN THE LIGHT OF CONDITIONS AT THE TIME, TAKING
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INTO ACCOUNT THE FOLLOWING CONSIDERATIONS:

(A) THE INTEREST RATE ON AMOUNTS OF FINANCING BY
INDIVIDUAL UNDERTAKINGS (WHICH WILL BE THE
SAME FOR ALL THE MEMBERS PARTICIPATING IN
THE FINANCING OF A LOAN, WILL BE IN LINE
WITH THE RATE AT WHICH A FIRST CLASS PUBLIC
BORROWER COULD BORROW IN THE MARKET) OR
(SHALL BE DECIDED BY THE GOVERNING COMMITTEE
PAYING DUE REGARD TO THE INTEREST RATE WHICH
A BORROWER OF GOOD NAME HAS TO PAY IN BORROW-
ING MONEY FOR A COMPARABLE TERM IN INTER-
NATIONAL CAPITAL MARKETS.) UNDER JOINT
BORROWING ARRANGEMENTS, THE INTEREST RATE
FOR BORROWING BY THE FUND IN THE CAPITAL
MARKETS WILL DEPEND ON CONDITIONS IN THE
MARKETS.

(B) THE RATE CHARGED ON A LOAN BY THE FUND WILL
BE DETERMINED BY THE COST OF THE RELATED
FINANCING. NORMALLY THERE WILL BE A SMALL
SPREAD BETWEEN RATES FOR BORROWING AND LEND-

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ING, IN FAVOUR OF THE FUND.

VIII. INSTITUTIONAL AND PROCEDURAL ARRANGEMENTS

25. DECISION-MAKING AND MANAGERIAL BODIES: ALL DECISIONS UNDER THE AGREEMENT WILL BE TAKEN BY A GOVERNING COMMITTEE, CONSISTING OF SENIOR FINANCIAL OFFICIALS DESIGNATED BY GOVERNMENTS. ALL MEMBERS WILL BE REPRESENTED IN THIS COMMITTEE BY ONE REPRESENTATIVE AND AN ALTERNATE. ITS DECISIONS WILL BE TAKEN BY A MAJORITY OF AT LEAST 50 PERCENT OF THE VOTES WEIGHTED ACCORDING TO THE QUOTAS, EXCEPT WHERE A STRONGER MAJORITY OF WEIGHTED VOTES, OR UNANIMITY, IS SPECIFIED. THE GOVERNING COMMITTEE WILL DECIDE ON ITS RULES OF PROCEDURE AND ON THE FINANCIAL REGULATIONS UNDER THE AGREEMENT.

26. THERE WILL ALSO BE AN ADVISORY BOARD WITH A NUMBER OF MEMBERS NOT EXCEEDING HALF THE NUMBER OF MEMBERS OF THE AGREEMENT; THE PRECISE NUMBER TO BE DECIDED BY THE GOVERNING COMMITTEE, BY A TWO-THIRDS MAJORITY VOTE.
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THE MEMBERS OF THE BOARD WILL BE DESIGNATED, TO ACT IN THEIR CAPACITY OF EXPERTS, BY THE GOVERNING COMMITTEE ON THE NOMINATION OF GOVERNMENTS. THE BOARD WILL CONSIDER APPLICATIONS FOR LOANS, THE CONDITIONS AND TERMS OF LOANS AND THE MEANS OF FINANCING, MAINTAIN CONTACT WITH THE BIS IF THE LATTER IS INVOLVED IN THE FINANCIAL ARRANGEMENTS, ETC. AND WILL REPORT TO THE GOVERNING COMMITTEE.

27. THE SECRETARY-GENERAL, OR HIS REPRESENTATIVE, WILL PARTICIPATE IN THE MEETINGS OF THE GOVERNING COMMITTEE AND THE ADVISORY BOARD. THE SECRETARIAT FOR THESE COMMITTEES WILL BE PROVIDED BY THE OECD.

28. APPROPRIATE ARRANGEMENTS WILL BE MADE BY THE GOVERNING COMMITTEE FOR LIAISON WITH, AND FOR THE ATTENDANCE IN THE GOVERNING COMMITTEE AND THE ADVISORY BOARD OF REPRESENTATIVES OF, THE IMF, THE COMMISSION OF THE EUROPEAN COMMUNITIES AND THE BIS.

29. LEGAL CAPACITY: BORROWING BY THE FUND WILL NEED TO BE IN ITS OWN NAME AND IT WILL THEREFORE HAVE A SEPARATE LEGAL PERSONALITY.

30. ENTRY INTO FORCE: THE AGREEMENT WILL ENTER INTO OPERATION WHEN SIGNATORIES REPRESENTING 90 PERCENT OF THE TOTAL VOTING POWER HAVE RATIFIED OR ACCEPTED IT. HOWEVER, IF IT HAS NOT ENTERED INTO OPERATION NINE MONTHS AFTER THE DATE OF SIGNATURE, AND AT LEAST FIFTEEN SIGNATORIES HAVE ALREADY RATIFIED OR ACCEPTED IT, THEY MAY DECIDE, UNANIMOUSLY, TO BRING IT INTO OPERATION BETWEEN THEM.

THERE ARE ALTERNATIVE VERSIONS, A AND B, OF PARAGRAPHS 31-33,

ALTERNATIVE A

(31. INCREASES IN THE TOTAL OF THE QUOTAS: THE GOVERNING COMMITTEE MAY PROPOSE AN INCREASE IN THE TOTAL OF MEMBERS' QUOTAS. NO CHANGE IN ANY MEMBER'S QUOTA MAY BE CONFIDENTIAL

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BE MADE WITHOUT ITS CONSENT AND ANY SUCH CHANGE WOULD ONLY BECOME EFFECTIVE AFTER THE MEMBER CONCERNED HAD NOTIFIED THE FUND THAT ANY LEGISLATIVE REQUIREMENTS FOR THE CHANGE IN ITS QUOTA HAD BEEN FULFILLED AND AFTER ANY REQUIREMENTS ESTABLISHED BY THE GOVERNING COMMITTEE TO ASSURE ADEQUATE PARTICIPATION OF MEMBERS IN THE INCREASE HAVE BEEN MET.

32. AMENDMENTS: THE PROVISIONS OF THE AGREEMENT MAY BE AMENDED BY A UNANIMOUS DECISION OF ALL MEMBERS, SUBJECT TO LEGISLATIVE APPROVAL WHERE THIS IS REQUIRED. CHANGES IN QUOTAS AND EXTENSION OF AUTHORITY FOR LENDING SHALL BE DECIDED IN ACCORDANCE WITH PARAGRAPHS 31 AND 33.

33. EXTENSION OF AUTHORITY FOR LENDING: THE OPERATION OF THE AGREEMENT WILL BE REVIEWED NOT LATER THAN THREE MONTHS BEFORE THE END OF THE PERIOD OF AUTHORITY TO GRANT LOANS (PARAGRAPH 5) AND THE GOVERNING COMMITTEE MAY DECIDE, BY A SEVENTY-FIVE PERCENT MAJORITY VOTE, TO EXTEND THAT AUTHORITY FOR A FURTHER PERIOD, SUBJECT TO

LEGISLATIVE APPROVAL WHERE THIS IS REQUIRED. ANY MEMBER
VOTING AGAINST THE DECISION MAY ADVISE THE GOVERNING
COMMITTEE, NOT LATER THAN THREE MONTHS AFTER SUCH A

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C O N F I D E N T I A L SECTION 07 OF 07 OECD PARIS 04222

LIMDIS GREENBACK

DECISION, THAT IT WILL WITHDRAW ITS ADHERENCE TO THE
AGREEMENT AT THE DATE ON WHICH THAT EXTENSION TAKES
EFFECT.)

ALTERNATIVE B

(31-33 AMENDMENTS: ANY PROVISION OF THE AGREEMENT MAY
BE AMENDED BY A UNANIMOUS DECISION OF ALL MEMBERS, SUB-
JECT TO LEGISLATIVE APPROVAL WHERE THIS IS REQUIRED.)

34. LIQUIDATION:

(A) AFTER THE AUTHORITY FOR THE FUND TO GRANT
LOANS LAPSES, IT WILL REMAIN IN EXISTENCE
UNTIL THE DATE ON WHICH THE LAST REPAYMENT

FALLS DUE IN RESPECT OF ITS BORROWING OR
LENDING. IN THIS PERIOD, ANY PROVISIONS
NECESSARY FOR THE PURPOSE OF MEETING ALL THE
OBLIGATIONS AND CLAIMS PREVIOUSLY CON-
TRACTED BY THE FUND SHALL REMAIN IN FORCE.
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(THE DECISION WHETHER ANY OTHER PROVISIONS
SHALL BE ALLOWED TO LAPSE AND WHETHER ANY
CHANGES SHALL BE MADE IN THE AGREEMENT DURING
THIS PERIOD SHALL REQUIRE A UNANIMOUS VOTE.)

(B) AT THE DATE OF LIQUIDATION THE ASSETS AND
LIABILITIES OF THE FUND WILL BE LIQUIDATED
IN ACCORDANCE WITH RULES WHICH WILL HAVE THE
FOLLOWING EFFECTS:

(I) THE NET REVENUE OF THE FUND ARISING OUT
OF INTEREST AND OTHER CHARGES, LESS
ADMINISTRATIVE COSTS, WILL BE DISTRI-
BUTED AMONG ANY MEMBERS WHICH HAVE
CLAIMS ARISING UNDER SECTION VI ABOVE,
IN PROPORTION TO THEIR CLAIMS, AND ANY
BALANCE WILL BE DISTRIBUTED AMONG MEM-
BERS IN PROPORTION TO QUOTAS.

(II) ANY OUTSTANDING CLAIMS ON, OR LIABILI-
TIES TO, THE FUND SHALL BE CANCELLED AND
REPLACED BY BILATERAL CLAIMS AND DEBTS
CALCULATED ACCORDING TO A FORMULA WHICH
TAKES ACCOUNT OF QUOTAS AND OF CREDITOR
AND DEBTOR POSITIONS.

ANNEX

PROPOSED QUOTAS

	AS PER CENT OF TOTAL QUOTAS	SDRS (MILLION)	
AUSTRALIA		300	
AUSTRIA	1.0	200	
BELGIUM/LUXEMBOURG	2.5	500	
CANADA	4.2	840	
DENMARK	1.2	240	
FINLAND	0.8	160	
FRANCE	8.5	1 700	
GERMANY	12.5	2 500	

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GREECE	0.6	120
ICELAND	0.1	20
IRELAND	0.6	120
ITALY	7.0	1 400
JAPAN	11.7	2 340
NETHERLANDS	3.0	600
NEW ZEALAND	0.8	160
NORWAY	1.0	200
PORTUGAL	0.6	120
SPAIN	2.5	500
SWEDEN	1.5	300
SWITZERLAND	2.0	400
TURKEY	0.6	120
UNITED KINGDOM	8.0	1 600
UNITED STATES	27.8	5 560
TOTAL OECD	100.0	20 000
END TEXT		
TURNER		

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